

## Message Text

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71

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E.O. 11652: N/A

LGS: EFIN, MX

SUBJECT: LONGORIA AND CREDITORS REACH AGREEMENT

1. JOHN MCGRATH OF FIRST PENNSYLVANIA BANK INFORMED ECON COUNSELOR SEPTEMBER 12 THAT AGREEMENT REACHED EVENING SEPTEMBER 11 BETWEEN CREDITORS OF EMPRESAS LONGORIA AND JULIO SANCHEZ VARGAS, DIRECTOR GENERAL OF SOCIEDAD MEXICANA DE CREDITO INDUSTRIAL (SOMEX), TO RESOLVE LONG-STANDING PROBLEM OF PAYMENT TO UNSECURED FOREIGN CREDITORS BY EMPRESAS LONGORIA.

2. GROUNDWORK FOR ABOVE MEETING LAID BY WRITTEN OFFER ON PART EMPRESAS LONGORIA ON AUGUST 28 TO MAKE AN INITIAL PAYMENT FOLLOWING APPROVAL BY ALL UNSECURED CREDITORS OF 1/3 OF ALL OUTSTANDING UNSECURED LOANS WITH FUNDS FOR THIS PAYMENT TO BE OBTAINED FROM RELEASE BY SOMEX OF LONGORIA'S BANCO DE COMERCIO STOCK. PRIOR TO DECEMBER 31, 1974 EMPRESAS LONGORIA TO PAY AN ADDITIONAL 1/6 OF THE UNSECURED LOANS TO BE GUARANTEED BY PLACING IN TRUST 15 PERCENT OF SHARES OF BOSQUES DE LAS LOMAS. REMAINING FIFTY PERCENT TO BE PAID IN 5-YEAR PERIOD BEGINNING SEPTEMBER 1975 AND TO BE GUARANTEED BY A SEED OIL FACTORY COMPLEX AT TUPITITLAN AS WELL AS LONGORIA HOME IN BOSQUES DE LAS LOMAS, WITH 6 PERCENT INTEREST PAYMENTS ON UNPAID BALANCE.

3. MCGRATH SAID 100 PERCENT OF FOREIGN CREDITORS HAD BEEN REPRESENTED.  
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SENT AT SEPTEMBER 11 MEETING AND THAT ALL PARTICIPANTS HAD

SIGNED WITH THE EXCEPTION OF FIRST PENNSYLVANIA BANK AND FIRST NATIONAL OF DALLAS. LAWYERS FOR LATTER TWO BANKS HAD NOT SIGNED OWING INTERJECTION OF NEW ELEMENT RE TAXES. MCGRATH SAID HE HAD TOLD HIS LAWYER TO SIGN TODAY AND THAT HE EXPECTED FIRST NATIONAL OF DALLAS WOULD DO LIKEWISE.

4. MCGRATH EXPECTED COURT ACTION TODAY TO LIFT SUSPENSION OF PAYMENTS FOLLOWED BY PAYMENT OF 1/3 OF DEBTS TO EACH CREDITOR. HE SAID THAT TECHNICAL COMMITTEE WOULD BE FORMED WITH ONE REPRESENTATIVE FROM EMPRESAS LONGORPR, ONE FROM SOMEX, AND THREE FROM THE CREDITORS GROUP. HE REPORTED THAT SANCHEZ VARGAS HAD STATED EMPRESAS LONGORIA WOULD BE REORGANIZED AND THAT IT WOULD HAVE THE "COMPLETE SUPPORT OF THE GOVERNMENT."

5. MCGRATH ALSO REPORTED THAT SANCHEZ VARGAS HAD PRESSED FOR EARLY SIGNATURE DURING DISCUSSIONS ON SEPTEMBER 11 OWING HIS APPOINTMENT LATER THAT EVENING WITH PRESIDENT ECHEVERRIA. SANCHEZ VARGAS REPORTEDLY STATED HE WOULD LIKE TO BE ABLE TO TELL THE PRESIDENT THAT ALL PARTICIPANTS HAD SIGNED. MCGRATH SAID THIS WAS FIRST INDICATION HE HAD RECEIVED OF PRESIDENTIAL INTEREST IN THE DISPUTE.

6. MCGRATH EXPRESSED PLEASURE AT SOLUTION OF PROBLEM SAYING IT HAD TURNED OUT MUCH BETTER THAN FOREIGN CREDITORS HAD EXPECTED DURING COURSE OF PROTRACTED NEGOTIATIONS.

7. COMMENT: IT APPEARS THAT, DESPITE INITIAL INDICATIONS THAT GOVERNMENT WOULD NOT TAKE AN ACTIVE INTEREST IN THIS DISPUTE, HIGH LEVEL INFLUENCE WAS EXERTED AT LAST MINUTE TO AVOID ADVERSE RESULTS OF BANKRUPTCY ACTION BY LARGE SCALE MEXICAN BORROWERS FROM FOREIGN BANKS.

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## Message Attributes

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